



**IRA TOWNSHIP**  
St. Clair County, Michigan  
**AUDITED FINANCIAL STATEMENTS**  
For The Year Ended June 30, 2005

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Ira Township</b>	County <b>St. Clair</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>8/11/05</b>	Date Accountant Report Submitted to State: <b>11/29/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>McBride, Manley &amp; Miiller P.C.</b>			
Street Address <b>1115 S. Parker St.</b>	City <b>Marine City</b>	State <b>MI</b>	ZIP <b>48039-0026</b>
Accountant Signature <i>Patricia A. Manley CPA</i>		Date <i>12/20/05</i>	

# IRA TOWNSHIP

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# IRA TOWNSHIP

## Management's Discussion and Analysis

June 30, 2005

### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

### The Township as a Whole

The Township's combined net assets decreased only slightly from a year ago from \$11,417,000 to \$11,250,000. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced a slight increase of approximately \$7,000 (0.5% increase). This was mainly due to budget freezes at the State level. The business-type activities experienced a \$175,000 decrease in net assets. This was mainly due to an increase in salaries, benefits, and depreciation expenses. In a condensed format, the table below shows a comparison of the net assets (in thousands of dollars) as of the current date to the prior year:

(in thousands of dollars)

	Governmental Activities		Business-Type Activities *		Total	
	2004	2005	2004	2005	2004	2005
Current Assets	\$ 1,002	\$ 944	\$ 2,580	\$ 2,204	\$ 3,582	\$ 3,148
Noncurrent Assets	1,715	1,527	16,545	16,225	18,260	17,752
Total Assets	2,717	2,471	19,125	18,429	21,842	20,900
Long-Term Debt Outstanding	757	561	8,266	7,848	9,023	8,409
Other Liabilities	549	492	871	749	1,420	1,241
Total Liabilities	1,306	1,053	9,137	8,597	10,443	9,650
Net Assets						
Invested in Capital Assets - Net of Debt	1,036	974	7,407	7,730	8,443	8,704
Restricted	293	333	-	-	293	333
Unrestricted	82	111	2,581	2,102	2,663	2,213
Total Net Assets	\$ 1,411	\$ 1,418	\$ 9,988	\$ 9,832	\$ 11,399	\$ 11,250

\* 2004 amounts have been restated to reflect prior period adjustments

# IRA TOWNSHIP

## Management's Discussion and Analysis

June 30, 2005

Unrestricted net assets--the part of net assets that can be used to finance day to day operations, increased by \$29,000 for the governmental activities. This represents an increase of approximately 35.0%. The current level of unrestricted net assets for our governmental activities stands at \$111,000, or about 7.0% of expenditures. This is within the targeted range set by the Township during its last budget process.

The following table shows the changes in the net assets (in thousands of dollars) as of the current date to the prior year:

(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2004	2005	2004	2005	2004	2005
Program Revenues						
Charges for Services	\$ 225	\$ 350	\$ 1,883	\$ 2,128	\$ 2,108	\$ 2,478
Capital Grants and Contributions	276	-	32	181	308	181
General Revenues						
Property Taxes	479	508	-	-	479	508
State-shared Revenues	522	493	-	-	522	493
Unrestricted Investment Earnings	14	25	58	48	72	73
Gain on Sale of Fixed Assets	35	-	-	-	35	-
Other	217	153	1	-	218	153
Total Revenues	1,768	1,529	1,974	2,357	3,742	3,886
Program Expenses						
General Government	353	336	-	-	353	336
Public Safety	868	890	-	-	868	890
Public Works	531	212	-	-	531	212
Legislative	17	17	-	-	17	17
Recreation and Culture	46	41	-	-	46	41
Other	1	-	-	-	1	-
Debt Service	39	26	-	-	39	26
Water	-	-	1,573	1,472	1,573	1,472
Sewer	-	-	1,030	1,041	1,030	1,041
Total Expenses	1,855	1,522	2,603	2,513	4,458	4,035
Change in Net Assets	\$ (87)	\$ 7	\$ (629)	\$ (156)	\$ (716)	\$ (149)

The Township's net assets continue to remain healthy. Although assets decreased by \$149,000, last year's decrease was \$716,000, and the General Fund's unreserved fund balance remains at more than 20% of annual expenditures.

## **IRA TOWNSHIP**

### **Management's Discussion and Analysis**

**June 30, 2005**

#### **Governmental Activities**

The Township's governmental activities consist of the General Fund, Fire Operational Fund, a Construction Fund, and three Debt Service Funds. The governmental activities experienced a very slight increase in net assets--there was not much change in the activities from last year.

#### **Business-Type Activities**

The Township's business-type activities consist of the Water and Sewer Fund. We provide water to approximately 85% of the Township's residents, and sewage treatment to approximately 75% of the Township's residents. We experienced a decrease in our net operating income, due primarily to operating costs--largest depreciation.

#### **The Township's Funds**

Our analysis of the Township's major funds begins on page 5, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds include the General Fund and the Fire Fund.

The General Fund pays for most of the Township's governmental services. The most significant are general government, public works, and public safety, which incurred expenses of approximately \$1,438,000. These services are partially supported by a special millage which is recorded in the Fire Fund.

#### **General Fund Budgetary Highlights**

Over the course of the year, the Township amended the budget to take into account events during the year. There were no significant changes. Departments overall stayed within budget. The General Fund's fund balance increased from \$156,000 a year ago to \$ 246,000 at June 30, 2005.

#### **Capital Asset and Debt Administration**

At the end of June 30, 2005, the Township had \$17,559,000 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements. The Township does not report infrastructure assets acquired prior to July 1, 2003.

The only significant change in indebtedness during the year resulted from the issuance of \$181,000 in special assessment bonds during the year to finance a water line replacement project. These bonds will be retired by means of assessments against affected property owners.

## IRA TOWNSHIP

### Management's Discussion and Analysis

June 30, 2005

#### **Fund Balance Deficit**

The Township's Fire Operational Fund ended the year with a fund balance deficit of approximately \$5,000. It has always been the policy of the Township to transfer amounts as needed to the Fire Operational Fund to covers its expenses. A transfer sufficient to cover this deficit will be transferred during the 2005/2006 fiscal year.

#### **Economic Factors and Next Year's Budgets and Rates**

The Township's budget calls for an increase on property tax rates. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5%. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions.

If fuel and energy costs, along with health benefits, remain at the current high levels, it may be necessary to review the water and sewer rates during 2006.

In excess of 50% of the General Fund revenues are generated from the State of Michigan revenue sharing formula. The State has experienced significant budget deficits, and these revenues may be reduced in an attempt to balance their budget in the future.

#### **Contacting the Township Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.



**McBride, Manley  
& Müller P.C.**

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT**

August 11, 2005

Township Board  
Ira Township  
7085 Meldrum Road  
Fair Haven, Michigan 48023

Honorable Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of IRA TOWNSHIP, as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Ira Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ira Township, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reported dated August 11, 2005, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages i through iv are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Ira Township's basic financial statements. The combining and individual nonmajor fund financial statements and supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our report of comments and recommendations dated August 11, 2005, has been submitted under separate cover.

Respectfully submitted,

A handwritten signature in cursive script that reads "McBride, Manley & Miller PC".

McBRIDE, MANLEY & MILLER P.C.  
Certified Public Accountants

# IRA TOWNSHIP

## STATEMENT OF NET ASSETS

June 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash - checking and on hand	\$ 22,622	\$ 11,600	\$ 34,222
- savings and certificates	319,570	5,480	325,050
- Municipal Investment Pool	421,783	732,040	1,153,823
Restricted cash	--	329,059	329,059
Restricted receivables	64,854	545,311	610,165
Accounts receivable and other	54,777	398,875	453,652
Internal balances*	22,662	150,000	--
Due from other units of government	26,415	--	26,415
Taxes receivable	6,228	--	6,228
Prepaid expenses	3,900	--	3,900
Accrued interest receivable	867	478	1,345
Deposits	--	30,520	30,520
<b>Total Current Assets</b>	<b>943,678</b>	<b>2,203,363</b>	<b>2,974,379</b>
<b>Other Assets</b>			
Capital assets, net of accumulated depreciation	1,515,644	16,024,817	17,540,461
Construction in progress	11,508	18,606	30,114
Bond issuance costs, net of amortization	--	181,670	181,670
<b>TOTAL ASSETS</b>	<b>\$ 2,470,830</b>	<b>\$ 18,428,456</b>	<b>\$ 20,726,624</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 33,677	\$ 216,239	\$ 249,916
Accrued expenses	12,211	41,373	53,584
Accrued interest	7,926	--	7,926
Internal balances*	150,000	22,662	--
Due to other units of government	--	14,419	14,419
Deferred revenue	88,846	7,338	96,184
Current portion of long-term obligations	198,975	446,758	645,733
<b>Total Current Liabilities</b>	<b>491,635</b>	<b>748,789</b>	<b>1,067,762</b>
<b>Noncurrent Liabilities</b>			
Long-term obligations net of current portion	561,301	7,847,988	8,409,289
<b>TOTAL LIABILITIES</b>	<b>\$ 1,052,936</b>	<b>\$ 8,596,777</b>	<b>\$ 9,477,051</b>
<b>NET ASSETS</b>			
Investment in general fixed assets, net of related debt	\$ 974,261	\$ 7,730,071	\$ 8,704,332
Restricted for debt service	333,114	--	333,114
Unrestricted	110,519	2,101,608	2,212,127
<b>TOTAL NET ASSETS</b>	<b>\$ 1,417,894</b>	<b>\$ 9,831,679</b>	<b>\$ 11,249,573</b>

\* amounts have been offset in the total column

See accompanying notes.



# IRA TOWNSHIP

## STATEMENT OF ACTIVITIES

For the year ended June 30, 2005

	Program Revenues				Net (Expense) Revenue		
	Expenses	Charge for Services	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities		Total
<b>PRIMARY GOVERNMENT</b>							
<b>Governmental Activities:</b>							
General government	\$ 335,906	\$ 118,739	\$ -	\$ (217,167)	\$ -	\$ -	\$ (217,167)
Legislative	16,641	-	-	(16,641)	-	-	(16,641)
Public safety	890,323	46,689	-	(843,634)	-	-	(843,634)
Public works	212,101	184,195	-	(27,906)	-	-	(27,906)
Parks and recreation	30,458	-	-	(30,458)	-	-	(30,458)
Library	10,626	-	-	(10,626)	-	-	(10,626)
Debt service	26,403	-	-	(26,403)	-	-	(26,403)
Total Governmental Activities	1,522,458	349,623	-	(1,172,835)	-	-	(1,172,835)
<b>Business-Type Activities:</b>							
Water	1,471,705	1,434,029	180,862	-	143,186	143,186	143,186
Sewer	1,041,254	693,992	-	-	(347,262)	(347,262)	(347,262)
Total Business-Type Activities	2,512,959	2,128,021	180,862	-	(204,076)	(204,076)	(204,076)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 4,035,417</b>	<b>\$ 2,477,644</b>	<b>\$ 180,862</b>	<b>(1,172,835)</b>	<b>(204,076)</b>	<b>(204,076)</b>	<b>(1,376,911)</b>
<b>GENERAL PURPOSE REVENUES</b>							
Property taxes							
State shared revenues				508,060	-	-	508,060
Investment earnings				492,907	-	-	492,907
Other				25,350	47,673	-	73,023
<b>TOTAL GENERAL PURPOSE REVENUES</b>				<b>1,179,638</b>	<b>47,673</b>	<b>47,673</b>	<b>1,227,311</b>
<b>CHANGE IN NET ASSETS</b>							
Net assets at July 1, 2004				6,803	(156,403)	-	(149,600)
Prior period adjustments				1,411,091	10,006,478	-	11,417,569
Restated net assets at July 1, 2004				-	(18,396)	-	(18,396)
<b>NET ASSETS AT JUNE 30, 2005</b>				<b>1,411,091</b>	<b>9,988,082</b>	<b>\$ 9,831,679</b>	<b>\$ 11,249,573</b>

See accompanying notes.

# IRA TOWNSHIP

## BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2005

	General	Fire Operational Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash - checking and on hand	\$ 5,005	\$ --	\$ --	\$ 5,005
- savings and certificates	1,230	3,122	315,218	319,570
- Municipal Investment Pool	420,319	1,464	--	421,783
Accounts receivable and other	57,554	--	--	57,554
Due from other funds	28,215	65,394	17,896	111,505
Due from other units of government	26,415	--	--	26,415
Taxes and special assessment receivable	6,739	3,233	51,033	61,005
Accrued interest receivable	864	3	--	867
Prepaid insurance	3,900	--	--	3,900
Construction in progress	11,508	--	--	11,508
<b>TOTAL ASSETS</b>	<b>\$ 561,749</b>	<b>\$ 73,216</b>	<b>\$ 384,147</b>	<b>\$ 1,019,112</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 31,075	\$ 2,602	\$ --	\$ 33,677
Accrued expenses	3,913	1,341	--	5,254
Due to other funds	215,394	5,832	--	221,226
Deferred revenue	65,590	68,627	51,033	185,250
<b>TOTAL LIABILITIES</b>	<b>315,972</b>	<b>78,402</b>	<b>51,033</b>	<b>445,407</b>
<b>FUND EQUITY</b>				
Reserved for debt retirement	--	--	333,114	333,114
Unreserved, undesignated	245,777	(5,186)	--	240,591
<b>TOTAL FUND EQUITY</b>	<b>245,777</b>	<b>(5,186)</b>	<b>333,114</b>	<b>573,705</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 561,749</b>	<b>\$ 73,216</b>	<b>\$ 384,147</b>	<b>\$ 1,019,112</b>

See accompanying notes.



# IRA TOWNSHIP

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET WITH THE STATEMENT OF NET ASSETS

June 30, 2005

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Total Fund Balance - Governmental Funds	\$	573,705
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Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in the governmental funds.

Cost of capital assets	\$	3,405,874	
Less: accumulated depreciation		<u>(1,890,230)</u>	
Net Capital Assets			1,515,644

Delinquent personal property taxes receivable, federal grant revenues receivable, and interest income receivable were not available soon enough after year end to pay the current period expenditures, and therefore, are deferred in the governmental funds.

96,404

Miscellaneous receivables were not available soon enough after year end to pay the current period expenditures, and were not recognized in the governmental funds

7,300

Long-term liabilities, including bonds payable, are not due in the current period, and therefore are not reported as liabilities in the governmental funds.

Bonds payable, including unamortized premium	(760,276)	
Accrued interest on the bonds	(7,926)	
Compensated absences	<u>(6,957)</u>	
Total Long-Term Liabilities		(775,159)

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<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>1,417,894</u></b>
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See accompanying notes.



**IRA TOWNSHIP****STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**

For the year ended June 30, 2005

	General	Fire Operational Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Tax collections	\$ 115,321	\$ 232,182	\$ 160,438	\$ 507,941
Distributions from State of Michigan	492,907	--	--	492,907
Local millage recreation funds	25,168	--	--	25,168
Licenses, permits, fines, and fees	88,110	--	--	88,110
Fire protection fees	46,689	--	--	46,689
Tax administration fees, penalty, and interest	58,059	--	--	58,059
Interest earned	11,101	605	13,644	25,350
Special assessments	12,230	--	111,708	123,938
Refuse collection	184,195	--	--	184,195
Miscellaneous revenue	97,127	--	--	97,127
<b>TOTAL REVENUES</b>	<b>1,130,907</b>	<b>232,787</b>	<b>285,790</b>	<b>1,649,484</b>
<b>Other Financing Sources:</b>				
Transfer from other funds	51,036	187,057	743	238,836
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>1,181,943</b>	<b>419,844</b>	<b>286,533</b>	<b>1,888,320</b>
<b>Expenditures:</b>				
Legislative	16,641	--	--	16,641
General government	317,499	--	--	317,499
Public safety	329,661	386,400	--	716,061
Public works	211,418	--	--	211,418
Parks and recreation	14,171	--	--	14,171
Library	9,409	--	--	9,409
Miscellaneous	--	--	275	275
<b>Debt service:</b>				
Principal retirement	6,220	26,248	171,133	203,601
Interest and fiscal fees	--	3,436	28,732	32,168
<b>TOTAL EXPENDITURES</b>	<b>905,019</b>	<b>416,084</b>	<b>200,140</b>	<b>1,521,243</b>

See accompanying notes.



**IRA TOWNSHIP****STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
(Continued)**

For the year ended June 30, 2005

	General	Fire Operational Fund	Other Governmental Funds	Total Governmental Funds
<b>Other Financing Uses:</b>				
Transfers to other funds	\$ 187,057	\$ 14,000	\$ 37,779	\$ 238,836
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>1,092,076</b>	<b>430,084</b>	<b>237,919</b>	<b>1,760,079</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>89,867</b>	<b>(10,240)</b>	<b>48,614</b>	<b>128,241</b>
Fund Balance at July 1, 2004	155,910	5,054	284,500	445,464
<b>FUND BALANCE (DEFICIT) AT JUNE 30, 2005</b>	<b>\$ 245,777</b>	<b>\$ (5,186)</b>	<b>\$ 333,114</b>	<b>\$ 573,705</b>

See accompanying notes.



# IRA TOWNSHIP

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE WITH THE STATEMENT OF ACTIVITIES

June 30, 2005

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Total Net Change in Fund Balances - Governmental Funds	\$	128,241
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Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, for township activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of net activities. Proceeds from the sale of capital assets are reported as revenue in the governmental funds. For township activities, these proceeds are reduced by the net book value of disposed assets to provide the gain or loss on sale of such assets in the statement of net activities.

Capital outlay	\$	28,069	
Less: depreciation		<u>(236,804)</u>	(208,735)

Delinquent personal property taxes receivable, federal grant revenues receivable, and interest income receivable were not available soon enough after year end to pay the current period expenditures, and therefore, are deferred in the governmental funds. (127,523)

Miscellaneous receivables were not available soon enough after year end to pay the current period expenditures, and were not recognized in the governmental funds 7,300

Repayment of bond principal is an expenditure, and bond proceeds are revenue in the governmental funds. Proceeds increase and repayments decrease liabilities in the statement of net assets and do not affect the statement of activities.

Bond principal payments	203,601
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Compensated absences are measured by the amount earned in the statement of activities. In the governmental funds, these items are measured by financial resources used. (1,846)

Interest expenditures are recorded when financial resources are used in the governmental funds. Interest expense is recognized as the interest accrues regardless of when it is due. 5,765

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<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>6,803</u></b>
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**IRA TOWNSHIP****STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS**

June 30, 2005

	Sewer Fund	Water Fund	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash - checking and on hand	\$ 4,550	\$ 7,050	\$ 11,600
- savings and certificates	3,846	1,634	5,480
- Municipal Investment Pool	704,785	27,255	732,040
Restricted cash	39,158	289,901	329,059
Restricted receivables	88,607	456,704	545,311
Accounts receivable and other	230,512	168,363	398,875
Due from other funds	390,049	500,211	890,260
Accrued interest receivable	414	64	478
Deposits with St. Clair County	30,520	--	30,520
<b>Total Current Assets</b>	<b>1,492,441</b>	<b>1,451,182</b>	<b>2,943,623</b>
<b>Other Assets</b>			
Bond issuance costs, net of amortization	--	181,670	181,670
Construction in progress	--	18,606	18,606
Capitalized lease, net of amortization	1,713,192	7,229,092	8,942,284
Capital assets, net of accumulated depreciation	3,763,981	3,318,552	7,082,533
<b>TOTAL ASSETS</b>	<b>\$ 6,969,614</b>	<b>\$ 12,199,102</b>	<b>\$ 19,168,716</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 111,044	\$ 105,195	\$ 216,239
Accrued expenses	12,665	28,708	41,373
Due to other funds	510,809	252,113	762,922
Due to other units of government	--	14,419	14,419
Deferred revenue	7,338	--	7,338
Current portion of long-term obligations	176,822	269,936	446,758
<b>Total Current Liabilities</b>	<b>818,678</b>	<b>670,371</b>	<b>1,489,049</b>
<b>Noncurrent Liabilities</b>			
Long-term obligations net of current portion	1,559,845	6,288,143	7,847,988
<b>TOTAL LIABILITIES</b>	<b>\$ 2,378,523</b>	<b>\$ 6,958,514</b>	<b>\$ 9,337,037</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	\$ 3,740,506	\$ 3,989,565	\$ 7,730,071
Unrestricted	850,585	1,251,023	2,101,608
<b>TOTAL NET ASSETS</b>	<b>\$ 4,591,091</b>	<b>\$ 5,240,588</b>	<b>\$ 9,831,679</b>

See accompanying notes.



# IRA TOWNSHIP

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS

For the year ended June 30, 2005

	Sewer Fund	Water Fund	Total Proprietary Funds
<b>Operating Revenues:</b>			
User charges	\$ 535,292	\$ 723,516	\$ 1,258,808
Installation fees	2,652	25,350	28,002
Water and sewer tap fees	24,658	117,620	142,278
Water plant discharge	115,775	--	115,775
Penalties	9,529	17,694	27,223
Miscellaneous revenue	7,168	28,306	35,474
<b>TOTAL OPERATING REVENUES</b>	<b>695,074</b>	<b>912,486</b>	<b>1,607,560</b>
<b>Operating Expenses:</b>			
Salaries	191,103	335,566	526,669
Payroll taxes and benefits	106,054	165,781	271,835
Supplies	24,284	60,004	84,288
Plant operation	224,632	--	224,632
Water plant discharge	--	115,775	115,775
Seminars and publications	6,620	9,665	16,285
Repairs and maintenance	4,331	15,312	19,643
Transportation	3,750	3,696	7,446
Contracted services	2,233	2,248	4,481
Utilities	44,029	45,031	89,060
Professional services	22,365	19,373	41,738
Miscellaneous	563	6,417	6,980
Insurance and bonds	37,760	45,741	83,501
Amortization	1,407	24,547	25,954
Depreciation	289,510	503,742	793,252
<b>TOTAL OPERATING EXPENSES</b>	<b>958,641</b>	<b>1,352,898</b>	<b>2,311,539</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(263,567)</b>	<b>(440,412)</b>	<b>(703,979)</b>

See accompanying notes.



**IRA TOWNSHIP****STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS - PROPRIETARY FUNDS**  
(Continued)

For the year ended June 30, 2005

	Sewer Fund	Water Fund	Total Proprietary Funds
<b><i>Nonoperating Revenues (Expenses):</i></b>			
Debt service	\$ 114,693	\$ 521,543	\$ 636,236
Special assessments	--	180,862	180,862
Income on restricted assets	8,726	27,494	36,220
Interest earned	9,461	1,992	11,453
Bond interest and agent fees	(82,613)	(234,582)	(317,195)
<b><i>TOTAL NONOPERATING REVENUES</i></b>	<b><u>50,267</u></b>	<b><u>497,309</u></b>	<b><u>547,576</u></b>
<b><i>CHANGE IN NET ASSETS</i></b>	<b><u>(213,300)</u></b>	<b><u>56,897</u></b>	<b><u>(156,403)</u></b>
Net assets at July 1, 2004	4,804,391	5,202,087	10,006,478
Prior period adjustments	--	(18,396)	(18,396)
Restated net assets at July 1, 2004	4,804,391	5,183,691	9,988,082
<b><i>NET ASSETS AT JUNE 30, 2005</i></b>	<b><u>\$ 4,591,091</u></b>	<b><u>\$ 5,240,588</u></b>	<b><u>\$ 9,831,679</u></b>

See accompanying notes.



**IRA TOWNSHIP****STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS**

For the year ended June 30, 2005

	Sewer Fund	Water Fund	Total Proprietary Funds
<b><i>Cash Flows From Operating Activities:</i></b>			
Receipts from customers	\$ 741,633	\$ 1,069,407	\$ 1,811,040
Payments to suppliers	(597,368)	(386,068)	(983,436)
Payments to employees	(187,517)	(328,844)	(516,361)
Other receipts (payments)	14,506	28,306	42,812
<i>Net Cash Provided By (Used In) Operating Activities</i>	<u>(28,746)</u>	<u>382,801</u>	<u>354,055</u>
<b><i>Cash Flows From Capital and Related Financing Activities:</i></b>			
Acquisition of capital assets	(30,606)	(458,645)	(489,251)
Bond proceeds	—	180,862	180,862
Special assessment collections	28,559	163,534	192,093
Bond issuance costs	—	(6,880)	(6,880)
Principal paid on bonds and capitalized lease	(171,105)	(639,840)	(810,945)
Interest paid on bonds and capitalized lease	(82,613)	(234,582)	(317,195)
Debt service revenue	114,693	521,543	636,236
<i>Net Cash Used In Capital and Related Financing Activities</i>	<u>(141,072)</u>	<u>(474,008)</u>	<u>(615,080)</u>
<b><i>Cash Flows From Investing Activities:</i></b>			
Interest and dividends on investments	17,773	29,439	47,212
<i>Net Cash Provided By Investing Activities</i>	<u>17,773</u>	<u>29,439</u>	<u>47,212</u>
<b><i>NET DECREASE IN CASH AND CASH EQUIVALENTS</i></b>	<b><u>(152,045)</u></b>	<b><u>(61,768)</u></b>	<b><u>(213,813)</u></b>
Cash and Cash Equivalents at July 1, 2004	904,384	387,608	1,291,992
<b><i>CASH AND CASH EQUIVALENTS AT JUNE 30, 2005</i></b>	<b><u>\$ 752,339</u></b>	<b><u>\$ 325,840</u></b>	<b><u>\$ 1,078,179</u></b>

See accompanying notes.



**IRA TOWNSHIP****STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS  
(Continued)**

For the year ended June 30, 2005

	Sewer Fund	Water Fund	Total Proprietary Funds
<b>Reconciliation of Operating Income to Net Cash Provided By (Used In) Operating Activities:</b>			
Operating loss	\$ (263,567)	\$ (440,412)	\$ (703,979)
<b>Adjustments to Reconcile Operating Loss to Net Cash Provided By (Used In) Operating Activities:</b>			
Depreciation	289,510	503,742	793,252
Amortization	1,407	24,547	25,954
<b>Change in Assets and Liabilities:</b>			
Accounts receivable	(18,193)	45,306	27,113
Due from other funds	71,920	139,921	211,841
Construction in progress	--	(339)	(339)
Accounts payable and other	28,268	67,814	96,082
Accrued expenses	3,586	6,722	10,308
Deferred revenue	7,338	--	7,338
Due to other funds	(149,015)	35,500	(113,515)
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>\$ (28,746)</b>	<b>\$ 382,801</b>	<b>\$ 354,055</b>
<b>Non-cash Capital and Financing Activity:</b>			
Special assessment levy	\$ --	\$ 180,862	\$ 180,862

See accompanying notes.



**IRA TOWNSHIP**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

For the year ended June 30, 2005

	Tax Fund	Agency Fund
<b>ASSETS</b>		
Cash - checking and on hand	\$ 396	\$ 151,186
- savings and certificates	--	29,254
- Municipal Investment Pool	11,899	--
<b>TOTAL ASSETS</b>	<b>\$ 12,295</b>	<b>\$ 180,440</b>
<b>LIABILITIES</b>		
Due to other funds	\$ 12,295	\$ 5,322
Due to other units of government	--	37
Due to Township employees or residents	--	175,081
<b>TOTAL LIABILITIES</b>	<b>\$ 12,295</b>	<b>\$ 180,440</b>

See accompanying notes.



# IRA TOWNSHIP

## GENERAL FUND

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL

For the year ended June 30, 2005

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
<b>Revenues:</b>				
Tax collections	\$ 110,045	\$ 116,045	\$ 115,321	\$ (724)
Special assessment	23,200	23,200	12,230	(10,970)
Distributions from State of Michigan	492,363	498,863	492,907	(5,956)
Licenses, permits, fines, and fees	50,200	60,300	88,110	27,810
Fire protection fees	46,981	46,981	46,689	(292)
Tax administration fees, penalty, and interest	186,750	54,100	58,059	3,959
Interest earned	6,000	6,100	11,101	5,001
Refuse collection	174,000	174,000	184,195	10,195
Miscellaneous revenue	25,000	134,950	97,127	(37,823)
Local millage recreation funds	25,168	25,168	25,168	--
<b>TOTAL REVENUES</b>	<b>1,139,707</b>	<b>1,139,707</b>	<b>1,130,907</b>	<b>(8,800)</b>
<b>Other Financing Sources:</b>				
Transfers from other funds	--	--	51,036	51,036
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>1,139,707</b>	<b>1,139,707</b>	<b>1,181,943</b>	<b>42,236</b>
<b>Expenditures:</b>				
Supervisor	12,450	12,450	11,490	960
Clerk	34,000	34,000	38,346	(4,346)
Treasurer	30,900	30,900	30,418	482
Trustees	17,350	17,350	16,641	709
Township Board	266,367	266,367	247,853	18,514
Utilities	12,000	12,000	7,559	4,441
Building department	140,100	140,100	140,782	(682)
Police department	105,000	105,000	112,358	(7,358)
Employee benefits	74,200	74,200	74,303	(103)
Insurance	7,600	17,100	19,700	(2,600)
Capital outlay	44,500	34,400	24,727	9,673
Refuse	174,000	174,600	174,622	(22)
<b>Debt Service:</b>				
Principal retirement	--	--	6,220	(6,220)
<b>TOTAL EXPENDITURES</b>	<b>918,467</b>	<b>918,467</b>	<b>905,019</b>	<b>13,448</b>
<b>Other Financing Uses:</b>				
Transfers to other funds	190,000	190,000	187,057	2,943
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>1,108,467</b>	<b>1,108,467</b>	<b>1,092,076</b>	<b>16,391</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>31,240</b>	<b>31,240</b>	<b>89,867</b>	<b>58,627</b>
Fund Balance at July 1, 2004	155,910	155,910	155,910	--
<b>FUND BALANCE AT JUNE 30, 2005</b>	<b>\$ 187,150</b>	<b>\$ 187,150</b>	<b>\$ 245,777</b>	<b>\$ 58,627</b>

See accompanying notes.



# IRA TOWNSHIP

## FIRE OPERATIONAL FUND

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL

For the year ended June 30, 2005

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
<b>Revenues:</b>				
Tax collections	\$ 386,466	\$ 386,466	\$ 232,182	\$ (154,284)
Interest earned	1,000	1,000	605	(395)
<b>TOTAL REVENUES</b>	<b>387,466</b>	<b>387,466</b>	<b>232,787</b>	<b>(154,679)</b>
<b>Other Financing Sources:</b>				
Transfer from General Fund	190,000	190,000	187,057	(2,943)
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>577,466</b>	<b>577,466</b>	<b>419,844</b>	<b>(157,622)</b>
<b>Expenditures:</b>				
<b>Public Safety:</b>				
Salaries and benefits	277,630	277,630	269,685	7,945
Supplies	5,540	5,540	2,780	2,760
Uniforms	5,740	5,740	6,989	(1,249)
Emergency supplies	3,000	3,000	2,608	392
Contracted services	10,000	10,000	10,626	(626)
Professional services	450	450	7,495	(7,045)
Telephone and communications	5,100	5,100	5,670	(570)
Vehicle operation	3,000	3,000	5,381	(2,381)
Insurance	33,600	33,600	33,406	194
Utilities	9,450	9,450	12,873	(3,423)
Maintenance	22,220	22,220	16,256	5,964
Seminars and training	5,380	5,380	4,599	781
Dues and subscriptions	1,600	1,600	1,605	(5)
Miscellaneous charges	10,020	10,020	3,085	6,935
Capital outlay	25,070	25,070	3,342	21,728
<b>Debt Service:</b>				
Principal	151,576	151,576	26,248	125,328
Interest and fees	--	--	3,436	(3,436)
<b>TOTAL EXPENDITURES</b>	<b>569,376</b>	<b>569,376</b>	<b>416,084</b>	<b>153,292</b>
<b>Other Financing Uses:</b>				
Transfer to General Fund	--	--	14,000	(14,000)
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>569,376</b>	<b>569,376</b>	<b>430,084</b>	<b>139,292</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>8,090</b>	<b>8,090</b>	<b>(10,240)</b>	<b>(18,330)</b>
Fund Balance at July 1, 2004	5,054	5,054	5,054	--
<b>FUND BALANCE (DEFICIT) AT JUNE 30, 2005</b>	<b>\$ 13,144</b>	<b>\$ 13,144</b>	<b>\$ (5,186)</b>	<b>\$ (18,330)</b>

See accompanying notes.





# IRA TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**DESCRIPTION OF TOWNSHIP OPERATIONS AND FUND TYPES:** Ira Township operates under an elected Supervisor, Clerk, Treasurer, and Board of two trustees and provides services to its residents (approximately 6,900) in many areas, including fire and police protection.

**REPORTING ENTITY:** The financial reporting entity consists solely of Ira Township. GASB Statement No. 14, as amended, states that the financial reporting entity consists of (a) the primary government; (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria for determining the financial reporting entity are separately elected governing body, legally separate entity, fiscally independent, ability to appoint voting majority of governing body, ability to impose its will, and potential for benefit or burden. Certain other organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or its other component units. A legally separate, tax-exempt organization would be reported as a component unit of reporting entity if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

### GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION:** The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



# IRA TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2005

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Properties in Ira Township are assessed as of December 31, and the related property taxes become a lien on December 1 of the following year. These tax revenues are recognized when levied to the extent that they result in current receivables. All real property taxes levied December 31, 2004, have been received and recognized as revenue at June 30, 2005.

Revenues earned and susceptible to accrual are considered available and recognized if received within sixty days after the year end.

The government reports the following major governmental funds:

**GENERAL FUND** - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, protective services, and other intergovernmental revenues.

**FIRE OPERATIONAL FUND** - This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

The government reports the following major proprietary funds:

**ENTERPRISE FUNDS** - The Water Supply and Sewer Disposal System Funds report operations that provide services which are financed by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control, or other purposes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. Residual balances between the business-type activities and the governmental activities are reported as "internal balances."

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.



# IRA TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2005

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private sector standards issued after November 30, 1989, for its business-type activities.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

#### ASSETS, LIABILITIES, AND NET ASSETS

**BANK DEPOSITS AND INVESTMENTS:** Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**RECEIVABLES AND PAYABLES:** In general, outstanding balances between funds are reported as "due to/from other funds." All trade and property tax receivables are shown net of allowance for uncollectible amounts.

**INVENTORIES AND PREPAID ITEMS:** Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**CAPITAL ASSETS:** Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.



# IRA TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2005

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets are depreciated using the straight-line method over the following useful lives:

Vehicles	5 years
Equipment	5-10 years
Buildings	35-40 years
Lines	15-40 years

**COMPENSATED ABSENCES:** The Township employs thirteen full-time employees entitled to compensated absences. These employees are entitled to six sick days per calendar year, with a maximum accumulation of sixty days. Employees are paid for one half of accumulated days upon resignation of employment.

All vacation and vested sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**LONG-TERM OBLIGATIONS:** In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**FUND EQUITY:** In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

It is the policy of the Township to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.



# IRA TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2005

### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

**EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS:** P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets, as amended by the Township Board, were adopted at the departmental level and are shown in the body of the financial statements. Budget amendments require approval from a majority of the Township Board. Actual expenditures exceeded those budgeted as follows:

#### General Fund

Clerk	\$ 4,346
Building Department	682
Police Department	7,358
Insurance	2,600
Refuse	22
Employee benefits	103
Debt Service	6,220

#### Fire Fund

Uniforms	\$1,249
Contracted services	626
Professional services	7,045
Telephone and communications	570
Vehicle operation	2,381
Utilities	3,423
Dues and subscriptions	5
Interest and fees	3,436

In addition, Michigan statutes do not permit a fund to maintain a deficit fund balance. The Fire Operational Fund ended the year June 30, 2005, with a deficit of \$5,186. The Township is required to adopt a deficit reduction plan and submit the plan to the Michigan Department of Treasury.

### NOTE 3: CASH AND INVESTMENTS

Deposits are carried at cost. Deposits are at Michigan banks in the name of Ira Township. Michigan Act 20 P.A. 1943 allows a township to make various investments with public monies including, but not limited to, the following:

1. Direct bonds and obligations of the U.S., its agencies or instrumentalities
2. Certificates of deposit, savings accounts with banks, savings and loan associations, or credit unions which are insured with the applicable federal agency and located in the State of Michigan
3. Commercial paper - rated within 2 highest rate classifications by at least 2 rating services and matures not later than 270 days
4. U.S. or agency repurchase agreements
5. Mutual funds - investments which local unit can make directly
6. Bankers' acceptances of U.S. banks
7. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service



## IRA TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2005

#### NOTE 3: CASH AND INVESTMENTS (Continued)

Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The deposits of the Township are in accordance with statutory authority.

Mutual fund investments are limited to those under SEC Rule 2a7 or 2a7-like investment pools. In accordance with GASB Statement 31, these are carried at amortized cost for financial reporting purposes.

Deposits and investments are recorded at cost. The carrying amounts are included on the balance sheet as "checking and on hand," "savings and certificates," "Municipal Investment Pool," "Investments," and "Restricted cash."

**DEPOSITS:** At year end, the bank balance and the carrying amount of the government's deposits with financial institutions totaled \$1,279,423 and \$1,012,121, respectively, of which \$100,429 is insured by the FDIC, and the remainder is not insured.

**INVESTMENTS:** During the year and at year end, the Township's investments were with various municipal pooled investment trust mutual funds. The year end balances at cost and market were \$745,386.

#### NOTE 4: RESTRICTED ASSETS

Restricted Sewer Fund cash includes amounts on deposit with the St. Clair County Department of Public Works Sewage Disposal System No. 1 in the amount of \$36,056 and monies restricted by Township ordinance in the amount of \$3,102. Additional assets restricted by Township ordinance consist of user receivables of \$60,298, accrued interest receivable of \$529, and special assessment receivable of \$27,780. These amounts are restricted for debt retirement and future construction costs.

Restricted Water Fund assets represent amounts reserved for a contractual obligation. The assets consist of the following amounts: cash, \$289,901; special assessment receivable, \$306,016; delinquent taxes receivable, \$21; lateral line charges receivable, \$24,072; and unbilled receivables, \$126,595.



## IRA TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2005

#### NOTE 5: FIXED ASSETS

##### *Governmental Activities Fixed Assets:*

A summary of changes in governmental fixed assets follows:

	Balance at 6/30/04	Additions	Disposals	Balance at 6/30/05
Office equipment	\$ 181,357	\$17,115	\$ --	\$ 198,472
Equipment	27,720	--	--	27,720
Land and improvements	178,251	--	--	178,251
Buildings and improvements	948,106	16,760	--	964,866
Fire and police equipment	1,646,805	--	--	1,646,805
D.P.W. equipment	6,156	--	--	6,156
Fire hall improvements	28,912	3,342	--	32,254
Library improvements	44,026	--	--	44,026
Parks and recreation	307,324	--	--	307,324
	<u>\$3,368,657</u>	<u>\$37,217</u>	<u>\$ --</u>	<u>3,405,874</u>
Less: Accumulated depreciation				( 1,890,230)
				<u>\$1,515,644</u>

A \$9,148 installment purchase of office equipment was made at June 30, 2004, but was not recorded as capital outlay at that time. This amount is included in the above additions.

Governmental activity depreciation, included on the Statement of Activities, was allocated as follows:

Recreation and Cultural	\$ 17,504
Public Safety	177,604
Public Works	408
General Government	41,288
Total	<u>\$236,804</u>



# IRA TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2005

### NOTE 5: FIXED ASSETS (Continued)

#### Business-Type Activities Fixed Assets:

A summary of changes in business-type fixed assets follows:

	Balance at 6/30/04	Additions	Disposals	Balance at 6/30/05
<b>Water Fund</b>				
Buildings	\$ 813,041	\$ 2,976	\$ --	\$ 816,017
Equipment	60,903	7,938	--	68,841
Vehicles	52,369	--	--	52,369
Pipe lines and plant	<u>3,536,493</u>	<u>447,731</u>	--	<u>3,984,224</u>
	4,462,806	458,645	--	4,921,451
Less: Accumulated depreciation	( 1,324,021)	( 278,878)	--	( 1,602,899)
	<u>\$3,138,785</u>	<u>\$179,767</u>	<u>\$ --</u>	<u>\$3,318,552</u>
<b>Capitalized Leased Fixed Assets:</b>				
Land	\$ 236,228	\$ --	\$ --	\$ 236,228
Water plant	<u>8,994,588</u>	--	--	<u>8,994,588</u>
	9,230,816	--	--	9,230,816
Less: Accumulated amortization	( 1,776,860)	( 224,864)	--	( 2,001,724)
	<u>\$7,453,956</u>	<u>(\$224,864)</u>	<u>\$ --</u>	<u>\$7,229,092</u>
<b>Construction in progress</b>	<u>\$ 18,267</u>	<u>\$ 339</u>	<u>\$ --</u>	<u>\$ 18,606</u>
<b>Sewer Fund</b>				
Buildings	\$ 633,478	\$ 2,976	\$ --	\$ 636,454
Equipment	350,690	9,213	--	359,903
Vehicles	111,164	--	--	111,164
Pipe lines and plant	<u>8,530,678</u>	<u>18,417</u>	--	<u>8,549,095</u>
	9,626,010	30,606	--	9,656,616
Less: Accumulated depreciation	( 5,649,550)	( 243,085)	--	( 5,892,635)
	<u>\$3,976,460</u>	<u>(\$212,479)</u>	<u>\$ --</u>	<u>\$3,763,981</u>
<b>Capitalized Leased Fixed Assets:</b>				
Sewer Disposal System	\$1,857,003	\$ --	\$ --	\$1,857,003
Less: Accumulated amortization	( 97,386)	( 46,425)	--	( 143,811)
	<u>\$1,759,617</u>	<u>(\$46,425)</u>	<u>\$ --</u>	<u>\$1,713,192</u>

Depreciation and amortization for the year ended June 30, 2005, amounted to \$289,510 in the Sewer Fund. Depreciation and amortization expense amounted to \$503,742 in the Water Fund.





# IRA TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2005

### NOTE 6: BONDS PAYABLE AND OTHER LONG-TERM INDEBTEDNESS

#### Changes in Indebtedness:

	Bonds and Notes Payable	Amortizable Bond Discount	Total Long-Term Obligations
Balance at June 30, 2004	\$9,905,458	\$19,819	\$9,925,277
Bond proceeds	180,862	--	180,862
Amortization of discount	--	( 3,005)	( 3,005)
Retirement of debt	( 1,014,484)	--	( 1,014,484)
Balance at June 30, 2005	<u>\$9,071,836</u>	<u>\$16,814</u>	<u>\$9,088,650</u>
Total Water Fund Leases and Bonded Indebtedness			\$6,559,509
Total Sewer Fund Leases and Bonded Indebtedness			1,752,051
Total Indebtedness in Governmental Funds			760,276
Unamortized Bond Premium			16,814
			<u>\$9,088,650</u>

#### Capitalized Lease Obligations:

The Township has entered into contracts under the provisions of Act 185, Public Acts of Michigan, 1957, as amended, with St. Clair County, Michigan, for the lease of a water treatment plant. The terms of these leases extend until the county bonds issued for the construction of the water treatment plant are paid in full. The Township has pledged its full faith and credit to repay the bond issues with an unlimited tax general obligation approved by the vote of the Township residents. The contracts require semi-annual interest payments due the first of July and January and principal payments due the first of July of each year.

The Township also has a contract with St. Clair County for the lease of a wastewater treatment plant. The terms of this lease match those of the related bonds and bear the full faith and credit of the Township. Interest payments are due April and October and principal payments are due in April of each year for one issue. For another, interest payments are due March and September and principal payments are due in March of each year.

Minimum lease payments are as follows:

	6/30/2006	6/30/2007	6/30/2008	6/30/2009
Water Fund	\$205,322	\$ 596,923	\$ 597,297	\$601,329
Sewer Fund	179,760	180,526	181,036	181,289
Total Minimum Lease Payments	<u>\$385,082</u>	<u>\$ 777,449</u>	<u>\$ 778,333</u>	<u>\$782,618</u>
	6/30/2010	6/30/2015	6/30/2020	6/30/2023
Water Fund	\$603,885	\$3,033,441	\$1,960,770	\$ --
Sewer Fund	181,273	593,284	407,981	252,274
Total Minimum Lease Payments	<u>\$785,158</u>	<u>\$3,626,725</u>	<u>\$2,368,751</u>	<u>\$252,274</u>

Interest expense and paying agent fees for Ira Township for the year ended June 30, 2005, totaled \$349,363.

The General Obligation Bonds are to be financed by tax revenues accumulated in the Debt Service Fund. The Water and Sewer Funds' lease obligations are to be financed by a combination of user charges and an unlimited tax general obligation approved by the vote of the Township residents. If, at any time, the revenues of the Water and Sewer Funds are insufficient to meet the current obligation, the liability becomes a general obligation of the Township.



# IRA TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2005

### NOTE 6: BONDS PAYABLE AND OTHER LONG-TERM INDEBTEDNESS (Continued)

#### Summary of Indebtedness:

	Number of Issues	Interest Rate	Maturing Through	Principal Outstanding	Current Portion
General Obligations:					
Special Assessment Bonds - Series 1999A	1	4.00%	2006	\$ 60,000	\$ 60,000
Special Assessment Bonds - Series 1999B	1	3.90	2006	105,000	105,000
Special Assessment Bonds - Series 2000	1	4.70 - 4.80	2007	190,000	95,000
Special Assessment Bonds - Series 2003A	1	3.75	2008	190,000	60,000
Special Assessment Bonds - Series 2004	1	3.88	2012	180,862	20,000
Installment Loan - General Fund	1	N/A	2006	2,928	2,928
Installment Loan - DPW/Water and Sewer	N/A	4.30	2009	260,000	65,000
Installment Loans - Fire Trucks	N/A	3.34 - 5.60	2010	549,964	127,353
Capitalized Leases - Water Fund	N/A	2.250 - 4.125	2019	5,945,000	--
Capitalized Leases - Sewer Fund	1	3.375 - 5.125	2023	<u>1,588,082</u>	<u>110,354</u>
Total General Obligations				<u>\$9,071,836</u>	<u>\$645,635</u>

Complete details of the Township's outstanding indebtedness are presented on pages 33-38.

#### Summary of Principal and Interest Requirements:

	<u>6/30/2006</u>	<u>6/30/2007</u>	<u>6/30/2008</u>	<u>6/30/2009</u>
Special Assessment Bonds	\$364,476	\$ 196,693	\$ 100,908	\$ 33,525
Installment Loans	224,446	211,505	200,595	189,687
Capitalized Leases	<u>385,082</u>	<u>777,449</u>	<u>778,333</u>	<u>782,618</u>
Total Principal and Interest Requirements	<u>\$974,004</u>	<u>\$1,185,647</u>	<u>\$1,079,836</u>	<u>\$1,005,830</u>
	<u>6/30/2010</u>	<u>6/30/2015</u>	<u>6/30/2020</u>	<u>6/30/2023</u>
Special Assessment Bonds	\$ 27,458	\$ 52,736	\$ --	\$ --
Installment Loans	60,946	--	--	--
Capitalized Leases	<u>785,158</u>	<u>3,626,725</u>	<u>2,368,751</u>	<u>252,274</u>
Total Principal and Interest Requirements	<u>\$873,562</u>	<u>\$3,679,461</u>	<u>\$2,368,751</u>	<u>\$ 252,274</u>

#### Debt Margin:

Michigan Compiled Law limits indebtedness incurred by townships to 10% of the total taxable value of the township. For the fiscal year 04/05, the taxable value of Ira Township was \$161,833,686; therefore, the legal debt margin is \$16,183,000.



# IRA TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2005

### NOTE 7: INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds. These receivables and payables are classified as "Due from other funds," "Due to other funds," or "Restricted assets" on the balance sheet. The amounts of interfund receivables and payables are as follows:

	<u>Interfund Receivable</u>		<u>Interfund Payable</u>
General Fund	<u>\$ 28,215</u>	Sewer Fund	\$ 10,598
		Trust and Agency Fund	5,322
		Tax Fund	12,295
			<u>\$ 28,215</u>
Debt Service Funds	<u>\$ 17,896</u>	Water Fund	\$ 12,064
Fire Fund	<u>\$ 65,394</u>	Fire Fund	5,832
			<u>\$ 17,896</u>
		General Fund	<u>\$ 65,394</u>
Sewer Fund	<u>\$390,049</u>	General Fund	\$150,000
		Water Fund	240,049
			<u>\$390,049</u>
Water Fund	<u>\$500,211</u>	Sewer Fund	<u>\$500,211</u>

Interfund receivables and payables are eliminated in the entity-wide presentations, within the governmental and business-type fund groups.

### NOTE 8: INTERFUND TRANSFERS

Expenses for fire protection are accounted for in the Fire Fund. The General Fund routinely transfers funds to cover these expenses. Other transfers are a result of the closing of similar fund types.

Operating transfers during the year ended June 30, 2005, are as follows:

	<u>Transfers In</u>		<u>Transfers Out</u>
Capital Projects Fund	<u>\$ 743</u>	Debt Service Fund	<u>\$ 743</u>
General Fund	<u>\$ 51,036</u>	Fire Fund	\$ 14,000
Fire Fund	<u>\$187,057</u>	Debt Service Fund	37,036
			<u>\$ 51,036</u>
		General Fund	<u>\$187,057</u>

These transfers have been eliminated in the entity-wide Statement of Activities other than those between business-type activities and governmental activities.



## IRA TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2005

#### NOTE 9: FUND BALANCE RESERVATIONS

	Balance at June 30, 2004	Increase	Decrease	Balance at June 30, 2005
Reserved Fund Balance:				
Governmental Funds - for liquor control	\$ 7,457	\$ 6,148	\$ 13,605	\$ --
- for bond payments	<u>285,243</u>	<u>285,790</u>	<u>237,919</u>	<u>333,114</u>
Total Reserved Fund Balance	<u>\$292,700</u>	<u>\$291,938</u>	<u>\$251,524</u>	<u>\$333,114</u>

#### NOTE 10: SEWAGE DISPOSAL SYSTEM

Ira Township entered into an agreement with Clay Township and the City of Algonac for the St. Clair County Department of Public Works to construct a joint sewer collector system. Ira Township issued \$2,800,000 worth of revenue bonds in payment of the Township's portion of the collector system. The full faith and credit of the Township and St. Clair County are pledged to the payment of these bonds pursuant to Act 185, Public Acts of Michigan, 1957, as amended. The Township operates and maintains the collector system which is being leased from the County. Ownership of the collector system will revert to the Township upon final payment of the bond issue. On the date the system was operable, the bonds payable and the related fixed asset were recorded at \$2,800,000. This fixed asset is being depreciated on a straight-line basis over 40 years. In 2003, an additional \$1,050,000 of bonds was issued for an upgrade and major repairs to the system.

#### NOTE 11: CONTINGENT LIABILITIES

The Township was named in a lawsuit involving operations of a business in the Township. The litigation is pending in the Federal District Court and is in discovery stage. It is the attorney's opinion that the outcome cannot be determined; therefore, no liability has been recorded as of June 30, 2005.

#### NOTE 12: DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries.

It is the opinion of the Township that the Township has no liability for losses under the plan but does have the duty of care that would be required of an ordinary, prudent investor.

#### NOTE 13: RISK FINANCING

Ira Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent third parties. Settled claims from these risks have not exceeded insurance coverage for the past three years.



## **IRA TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS**

*(Continued)*

June 30, 2005

#### **NOTE 14: ECONOMIC DEPENDENCY**

Approximately 50% of the water and sewer revenues are obtained from one customer within the Township. The customer is a mobile home community consisting of approximately 1,400 sites.

#### **NOTE 15: PRIOR PERIOD ADJUSTMENTS**

Two prior period adjustments netting \$18,396 in the Water Fund were made as of July 1, 2004. The first one recognized \$10,117 of income that was collected in the Trust and Agency Fund but never transferred to the Water Fund. The second one recognized a decrease of income in the amount of \$28,512 for backwash charges that were inappropriately excluded from accounts payable at June 30, 2004.

#### **NOTE 16: SUBSEQUENT EVENTS**

The Township has entered into an agreement with the Michigan Department of Environmental Quality for a Low-Impact Developments Project. This project will include the construction of a green roof on the fire hall, rain gardens, and grassed swales to collect runoff from the parking lot. The Township is to receive a grant of approximately \$290,000 with a local match required of the same amount.

The Township is also in discussions with the State of Michigan and St. Clair County to issue bonds under the State Drinking Water Revolving Fund. These bond proceeds are to be used to finance the upgrade of the water main along M-29.

During the year ended June 30, 2005, the Township approved the sale of bonds totaling \$445,280. As of June 30, 2005, the Township had only sold \$180,862 of these bonds in an issue of special assessment bonds for road construction. The Township paid for the balance from General Fund monies and it is the intention of the Township to sell the balance of those bonds.

The Township has entered into a purchase agreement to buy property in the Township at a cost of \$56,000. As of June 30, 2005, the Township had not closed on the sale of this property.

#### **NOTE 17: 401(a) PLAN**

During the year, the Township adopted a retirement plan known as the Ira Township 401(a) Plan. The plan is a defined contribution plan with an employee deferral option. The Township Board is the administrator and has authority to establish the plan and amend it. This plan covers all employees in the selected cohesive group. The contributions to the plan are at the discretion of the Board and there were no contributions for the year ending June 30, 2005.



**SUPPLEMENTAL INFORMATION**



\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
McBride, Manley  
& Müller P.C.

**IRA TOWNSHIP****COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS**

For the year ended June 30, 2005

	Debt Service Funds			
	Fire Truck	Special Assess. 2000A	Special Assess. 2003 Bethuy	Total
<b>ASSETS</b>				
Cash - savings	\$ 188,440	\$ --	\$ 126,778	\$ 315,218
Taxes and special assessment receivable	1,362	--	49,671	51,033
Due from other funds	5,832	12,064	--	17,896
<b>TOTAL ASSETS</b>	<b>\$ 195,634</b>	<b>\$ 12,064</b>	<b>\$ 176,449</b>	<b>\$ 384,147</b>
<b>LIABILITIES</b>				
Deferred revenue	\$ 1,362	\$ --	\$ 49,671	\$ 51,033
<b>TOTAL LIABILITIES</b>	<b>1,362</b>	<b>--</b>	<b>49,671</b>	<b>51,033</b>
<b>FUND EQUITY</b>				
Reserved for debt retirement	194,272	12,064	126,778	333,114
<b>TOTAL FUND EQUITY</b>	<b>194,272</b>	<b>12,064</b>	<b>126,778</b>	<b>333,114</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 195,634</b>	<b>\$ 12,064</b>	<b>\$ 176,449</b>	<b>\$ 384,147</b>

See accompanying letter.



# IRA TOWNSHIP

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE NON-MAJOR GOVERNMENTAL FUNDS

For the year ended June 30, 2005

	Capital Projects				Debt Service Funds			Total	
	2003A Construction	Fire Truck	Special Assess. 2000A	Special Assess. 2003 Bethuy	Total	Non-Major Governmental Funds			
<b>Revenues:</b>									
Property taxes	\$ -	\$ 160,438	\$ -	\$ -	\$ 160,438	\$ 160,438			
Interest income	-	3,097	523	10,024	13,644	13,644			
Special assessments	-	-	5,989	105,719	111,708	111,708			
<b>TOTAL REVENUES</b>	-	<b>163,535</b>	<b>6,512</b>	<b>115,743</b>	<b>285,790</b>	<b>285,790</b>			
<b>Expenditures:</b>									
Miscellaneous	-	-	25	250	275	275			
Debt service:									
Principal	-	102,440	8,693	60,000	171,133	171,133			
Interest	-	19,452	1,030	8,250	28,732	28,732			
<b>TOTAL EXPENDITURES</b>	-	<b>121,892</b>	<b>9,748</b>	<b>68,500</b>	<b>200,140</b>	<b>200,140</b>			
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	-	<b>41,643</b>	<b>(3,236)</b>	<b>47,243</b>	<b>85,650</b>	<b>85,650</b>			
<b>Other Financing Sources (Uses):</b>									
Transfer from other funds	743	-	-	-	-	743			
Transfer to other funds	-	(37,036)	-	(743)	(37,779)	(37,779)			
<b>TOTAL OTHER FINANCING SOURCES AND USES</b>	<b>743</b>	<b>(37,036)</b>	<b>-</b>	<b>(743)</b>	<b>(37,779)</b>	<b>(37,036)</b>			
<b>NET CHANGE IN FUND BALANCE</b>	<b>743</b>	<b>4,607</b>	<b>(3,236)</b>	<b>46,500</b>	<b>47,871</b>	<b>48,614</b>			
Fund Balance at July 1, 2004	(743)	189,665	15,300	80,278	285,243	284,500			
<b>FUND BALANCE AT JUNE 30, 2005</b>	<b>\$ -</b>	<b>\$ 194,272</b>	<b>\$ 12,064</b>	<b>\$ 126,778</b>	<b>\$ 333,114</b>	<b>\$ 333,114</b>			

See accompanying letter.





**IRA TOWNSHIP****SCHEDULE OF INDEBTEDNESS**

June 30, 2005

**Water Fund General Obligation Special Assessment Bonds - Series 1999A:**

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
2-1-99	\$ 405,000	4.00 %	2006	\$ 60,000	\$ 1,200	\$ 61,200
<b>Total 1999A General Obligation Bonds</b>				<b>60,000</b>	<b>1,200</b>	<b>61,200</b>

Principal due September 1

Interest due March 1 and September 1

**Water and Sewer Fund General Obligation Special Assessment Bonds - Series 1999B:**

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
5-1-99	\$ 695,000	4.00 %	2006	\$ 105,000	\$ 2,100	\$ 107,100
<b>Total 1999B General Obligation Bonds</b>				<b>105,000</b>	<b>2,100</b>	<b>107,100</b>

Principal due September 1

Interest due March 1 and September 1

**Special Assessment Bonds - Series 2000 General Obligation:**

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
7-31-00	\$ 645,000	4.70 %	2006	\$ 95,000	\$ 6,792	\$ 101,792
		4.80	2007	95,000	2,280	97,280
<b>Total 2000 General Obligation Bonds</b>				<b>190,000</b>	<b>9,072</b>	<b>199,072</b>

Principal due September 1

Interest due March 1 and September 1



**IRA TOWNSHIP****SCHEDULE OF INDEBTEDNESS  
(Continued)**

June 30, 2005

**Special Assessment Bonds - Series 2003A General Obligation:**

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
7-1-03	\$ 290,000	3.75 %	2006	\$ 60,000	\$ 6,000	\$ 66,000
			2007	65,000	3,656	68,656
			2008	65,000	1,219	66,219
<b>Total 2003A General Obligation Bonds</b>				<b>190,000</b>	<b>\$ 10,875</b>	<b>\$ 200,875</b>

Principal due October 1

Interest due April 1 and October 1

**Water Fund 2004 Short Cut General Obligation Special Assessment Bonds:**

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
12-1-04	\$ 180,862	3.88 %	2006	\$ 20,000	\$ 8,384	\$ 28,384
			2007	25,000	5,757	30,757
			2008	30,000	4,689	34,689
			2009	30,000	3,525	33,525
			2010	25,000	2,458	27,458
			2011	28,000	1,430	29,430
			2012	22,862	444	23,306
<b>Total 2004 General Obligation Bonds</b>				<b>180,862</b>	<b>\$ 26,687</b>	<b>\$ 207,549</b>
<b>Total General Obligation Bonds</b>				<b>725,862</b>		

Principal due September 1

Interest due March 1 and September 1

**General Fund 2005 Installment Loan:**

Total Borrowed	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
\$ 9,148	-- %	2006	\$ 2,928	\$ --	\$ 2,928
<b>Total 2005 Installment Loan</b>			<b>2,928</b>	<b>\$ --</b>	<b>\$ 2,928</b>

Principal due December 15

See accompanying letter.



**IRA TOWNSHIP****SCHEDULE OF INDEBTEDNESS  
(Continued)**

June 30, 2005

**1995 Installment Loan - Fire Truck:**

Total Borrowed	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
\$ 102,000	5.60 %	2006	\$ 7,022	\$ 197	\$ 7,219
<b>Total 1995 Installment Loan</b>			<b>7,022</b>	<b>197</b>	<b>7,219</b>

Principal and interest due April 4 and October 4

**2003 Installment Loan - Fire Truck:**

Total Borrowed	Interest Rate	Payable In	Principal	Interest	Total
		Fiscal Year Ending June 30			
\$ 704,897	3.34 %	2006	\$ 105,889	\$ 16,003	\$ 121,892
		2007	109,456	12,437	121,893
		2008	113,142	8,750	121,892
		2009	116,952	4,940	121,892
		2010	59,945	1,001	60,946
<b>Total 2003 Installment Loan</b>			<b>505,384</b>	<b>\$ 43,131</b>	<b>\$ 548,515</b>

Principal and interest due March 1 and September 1

**Water and Sewer Fund 1999 Installment Loan - DPW Facility:**

Total Borrowed	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
\$ 650,000	4.30 %	2006	\$ 65,000	\$ 11,180	\$ 76,180
		2007	65,000	8,385	73,385
		2008	65,000	5,590	70,590
		2009	65,000	2,795	67,795
<b>Total 1999 Installment Loan</b>			<b>260,000</b>	<b>\$ 27,950</b>	<b>\$ 287,950</b>

Principal due January 1

Interest due January 1 and July 1

See accompanying letter.



# IRA TOWNSHIP

## SCHEDULE OF INDEBTEDNESS (Continued)

June 30, 2005

### 1998 Installment Loan - Fire Rescue Truck:

Total Borrowed	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
\$ 125,000	5.25 %	2006	\$ 14,442	\$ 1,785	\$ 16,227
		2007	15,210	1,017	16,227
		2008	7,906	207	8,113
<b>Total 1998 Installment Loan</b>			<b>37,558</b>	<b>\$ 3,009</b>	<b>\$ 40,567</b>
<b>Total Installment Loans</b>			<b>812,892</b>		

Principal and interest due April 2 and October 2

### Water Plant Lease Contract With St. Clair County - Series 2003A:

Dated	Lease Amount	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
5-28-03	\$ 4,520,000	2.000 %	2006	\$ --	\$ 143,820	\$ 143,820
		2.250	2007	240,000	138,820	378,820
		2.500	2008	250,000	132,995	382,995
		2.750	2009	255,000	126,364	381,364
		3.000	2010	270,000	118,808	388,808
		3.250	2011	280,000	110,208	390,208
		3.500	2012	285,000	100,670	385,670
		3.400	2013	290,000	90,752	380,752
		3.550	2014	295,000	80,586	375,586
		3.700	2015	310,000	69,615	379,615
		3.800	2016	330,000	57,610	387,610
		3.900	2017	410,000	43,345	453,345
		4.000	2018	430,000	26,750	456,750
		4.125	2019	440,000	9,075	449,075
<b>Total 2003A Lease Contract</b>				<b>4,085,000</b>	<b>\$ 1,249,418</b>	<b>\$ 5,334,418</b>

Principal due July 1

Interest due January 1 and July 1



**IRA TOWNSHIP****SCHEDULE OF INDEBTEDNESS  
(Continued)**

June 30, 2005

**St. Clair County Sewage Disposal System No. 1 Ira Township Bonds - Series 1999:**

<u>Dated</u>	<u>Lease Amount</u>	<u>Interest Rate</u>	<u>Payable In Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
11-1-99	\$ 856,656	5.000 %	2006	\$ 75,354	\$ 30,375	\$ 105,729
		5.000	2007	79,320	26,607	105,927
		5.000	2008	83,286	22,641	105,927
		5.000	2009	87,252	18,477	105,729
		5.000	2010	91,218	14,114	105,332
		5.125	2011	93,201	9,553	102,754
		5.125	2012	93,201	4,777	97,978
<b>Total Sewer Disposal System 1999 Bonds</b>				<b>602,832</b>	<b>\$ 126,544</b>	<b>\$ 729,376</b>

Principal due April 1

Interest due April 1 and October 1

**St. Clair County Sewage Disposal System No. 1 Ira Township Bonds - Series 2003:**

<u>Dated</u>	<u>Lease Amount</u>	<u>Interest Rate</u>	<u>Payable In Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
3-1-03	\$ 1,050,000	3.375 %	2006	\$ 35,000	\$ 39,031	\$ 74,031
		3.375	2007	36,750	37,849	74,599
		3.375	2008	38,500	36,609	75,109
		3.400	2009	40,250	35,310	75,560
		3.450	2010	42,000	33,941	75,941
		3.500	2011	43,750	32,492	76,242
		3.500	2012	47,250	30,961	78,211
		3.650	2013	49,000	29,307	78,307
		3.800	2014	52,500	27,518	80,018
		3.900	2015	54,250	25,524	79,774
		4.000	2016	56,000	23,408	79,408
		4.000	2017	59,500	21,168	80,668
		4.100	2018	63,000	18,788	81,788
		4.200	2019	66,500	16,205	82,705
		4.300	2020	70,000	13,412	83,412
		4.400	2021	73,500	10,402	83,902
		4.500	2022	77,000	7,168	84,168
		4.600	2023	80,500	3,704	84,204
<b>Total Sewer Disposal System 2003 Bonds</b>				<b>985,250</b>	<b>\$ 442,797</b>	<b>\$ 1,428,047</b>

Principal due March 1

Interest due March 1 and September 1

See accompanying letter.



**IRA TOWNSHIP****SCHEDULE OF INDEBTEDNESS  
(Continued)**

June 30, 2005

**Water Plant Lease Contract With St. Clair County - Series 2003B:**

<u>Dated</u>	<u>Lease Amount</u>	<u>Interest Rate</u>	<u>Payable In Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
5-28-03	\$ 2,045,000	2.00 %	2006	\$ --	\$ 61,502	\$ 61,502
		2.25	2007	160,000	58,103	218,103
		2.50	2008	160,000	54,302	214,302
		2.75	2009	170,000	49,965	219,965
		3.00	2010	170,000	45,077	215,077
		3.25	2011	175,000	39,684	214,684
		3.50	2012	190,000	33,515	223,515
		3.40	2013	200,000	26,790	226,790
		3.55	2014	210,000	19,663	229,663
		3.70	2015	215,000	11,958	226,958
		3.80	2016	210,000	3,990	213,990
<b>Total 2003 Lease Contract</b>				<b>1,860,000</b>	<b>\$ 404,549</b>	<b>\$ 2,264,549</b>
<b>Total Lease Contracts</b>				<b>7,533,082</b>		

Principal due July 1

Interest due January 1 and July 1

**TOTAL INDEBTEDNESS** **\$ 9,071,836**



# McBride, Manley & Miller P.C.

Certified Public Accountants

GLEN E. MCBRIDE, C.P.A.

PATRICIA A. MANLEY, C.P.A.

RICHARD L. MILLER, C.P.A., M.S.T.

August 11, 2005

Township Board  
Ira Township  
7085 Meldrum Road  
Fair Haven, Michigan 48023

Honorable Board Members:

We have concluded the examination of the records of IRA TOWNSHIP for the year ended June 30, 2005. During our audit, certain items came to our attention which we believe warrant consideration of the Township officials.

## CASH RECEIPTS

During our testing, we found that voided receipts are not being printed. All voided receipts should be retained and all receipt reports should be kept in a binder. Also, all receipts should be collected through the Treasurer's Office and not through other departments including the Building Department.

## ACCOUNTS PAYABLE AND CASH DISBURSEMENTS

During our examination, we could not locate printed reports for certain purchases. All reports should be printed and stored in a binder. Also, better care needs to be taken when entering posting dates on purchases. For the most accurate reporting, invoices should be posted with the date of actual service or product receipt. We also found an instance where a check was posted one month but dated the next month.

## MISCELLANEOUS

During our audit, we found various miscellaneous items listed below:

- Various other receivables, such as trailer park fees, fire rescue, and permits are not appropriately accounted for. A more reliable system should be put into place to assure all revenues and receipts are accounted for. The new miscellaneous billing software should be of great assistance in this area.
- Budget amendments were made after the costs were incurred. All amendments need to be made prior to the expenditures, including those budgeted.
- Not all paid utility bills could be located. Due to the very nature of the size and number of paid stubs, retaining them can be difficult. We suggest that each days paid stubs be marked with the paid date and kept in a separate envelope in chronological order.

## ITEMS FROM PREVIOUS YEAR

### PURCHASING

During our testing, we found that not all invoices are being checked for mathematical accuracy, invoices do not always contain evidence that items were received, and are not always found in the Board minute approvals. To assure that the correct amounts are paid and only for items received, all invoices should be recalculated and indication of receipt of goods should be present on the invoice. All invoices should be included in the reports submitted for Board approval. It is also suggested that the signature portion of voided checks be removed.

### TAX FUND

Delinquent personal property taxes, property taxes, interest, and penalties should be reconciled at least quarterly to assure that the amounts remaining unpaid per the individual listings are correct. Collection of delinquent personal property taxes should be more aggressively pursued. If it is determined that amounts are uncollectible, proper procedures should be followed to write off those amounts.

### UTILITY BILLING

During our audit, we tested the utility billings for various items. We found that in several instances, the meter books appeared to be incomplete and/or inaccurate. The meter books should contain all information pertinent to that address. Items such as the name, factor, meter size, sewer service, etc., should be present on the cards.

We also found instances of data entry errors, both in initial customer setup and meter reading input. All of the errors found resulted in incorrect customer billing. Greater care should be taken to assure all customers are billed the proper amounts.

### PAYROLL

During our examination, we found W-4's and calculated withholdings did not agree to or were missing from the master file and actual withholdings. We recommend that, annually, the W-4 file be reviewed and compared to the master file and any differences corrected. Also, there should be signed Board approvals for pay raises in the employees' files.

### CONCLUSION

We would like to express our appreciation and thanks to the Township Supervisor, Clerk, Treasurer, and office personnel for their cooperation and many courtesies extended to us during our examination. We will be available to discuss these recommendations in detail or to assist in their implementation.

This report is intended solely for the information and use of the Township Board, management, and others within the Township. This restriction is not intended to limit the distribution of this report which is a matter of public record.

Respectfully submitted,



McBRIDE, MANLEY & MILLER P.C.  
Certified Public Accountants